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No. 2843

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

MOORE FILTER COMPANY (a corporation),
Plaintiff in Error,

vs.

J. L. TAUGHER,
Defendant in Error.

PETITION FOR A REHEARING ON BEHALF OF PLAINTIFF IN ERROR.

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FRANK D. MONCKTON, Clerk.

By .....Deputy Clerk.

PERNAU PUBLISHING COMPANY

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To the Honorable William B. Gilbert, Presiding Judge, and the Associate Judges of the United States Circuit Court of Appeals for the Ninth Circuit:

Plaintiff in error petitions the above court for rehearing after judgment affirming that of the court below.

The reasons given for the ruling by this court are set forth in an opinion, a copy of which accompanies this petition. As stated in said opinion, plaintiff in error sought reversal upon two grounds:

the services alleged to have been performed, there is no allegation as to place of performance. It is true that as to some of the services spoken of they are described as "negotiations by the plaintiff in London * * * and in connection with and incident to a journey by plaintiff from New York to Washington, D. C.", but this is very far from stating facts in the complaint of a character that would permit of a demurrer for want of jurisdiction. In other words, it cannot be said that it affirmatively appears from the face of the complaint that all the services alleged to have been performed were rendered elsewhere than in the State of California, and we respectfully submit that this court is not justified in the statement that it was *inferable* that all services were performed without the state, or in deciding that plaintiff in error has waived the right to object to jurisdiction by not presenting a demurrer upon the ground of want of jurisdiction.

It must be conceded by this court that prior to answer plaintiff in error moved to quash service of process for want of jurisdiction in the court below, and it must also be conceded by this court that in the answer filed by plaintiff in error there was a general objection to jurisdiction and a statement that the answer was filed with reservation of right to object to jurisdiction. This court must also admit that after the opening statement of counsel for defendant in error the learned judge

of the court below considered that plaintiff in error had so far protected its right of objection to jurisdiction as to permit of again presenting the question of want of jurisdiction, for we find in the record (page 32) a statement that the court itself suggested the question as to whether or not it had jurisdiction of the defendant, the cause of the action growing out of a transaction which did not have its origin in the State of California. And it is a further fact, that in ruling that it had jurisdiction this same judge said: *"The question as to the jurisdiction of this court can be readily disposed of on a motion for a new trial or on an objection to judgment upon the verdict".*

It is also true that at the conclusion of defendant in error's case, plaintiff in error moved to dismiss the action for want of jurisdiction, which motion was considered by the court below and ruled on. In short, *the judge of the trial court and defendant in error both believed that plaintiff in error had at all times protected its right to object to jurisdiction,* and it is not until we come into this court, upon a record *prepared as directed by the judge of the court below,* on the settlement of the bill of exceptions, and which record the judge himself deemed sufficient to present all the rights of plaintiff in error, that it is said that plaintiff in error has lost or waived its right to raise this question of jurisdiction.

RIGHT TO OBJECT TO JURISDICTION NOT LOST OR WAIVED BY PLAINTIFF IN ERROR.

Ever since the decision by this court in Denver & R. G. R. Co. v. Roller, supra, it has been the law that by virtue of the provisions of section 411, C. C. P., jurisdiction may be had over a non-resident corporation by the service of process within this state upon one who is the agent of such corporation. The Supreme Court by its ruling in Old Wayne v. McDonough, supra, and Simon v. Southern Railway Co., supra, has limited this obtaining of jurisdiction to acts contracted for or to be performed within the state. The constitutional question is clear and it may be said that the Supreme Court has read into the various statutes, such as our section 411, the words, "as to contracts made or to be performed within the state".

It follows, therefore, that on a motion to quash service of summons, where the same has been made by substituted service, there is always presented the question of how far the corporation can be held to answer; that is to say, in addition to the determination of the question of fact, viz., is so and so the agent of the corporation, the court must look and see how far the statute has gone in permitting substituted service, and if it finds that this substituted service cannot be had as to transactions arising without the state, why then there is no authority for the calling of the corporation to answer. In short, the question is, and only is,—Has the court jurisdiction over the person of the defend-

ant?—and not as would seem suggested by the record in this cause (page 32),—Has the court jurisdiction "of the subject matter of the action"?

This court in its opinion rendered recognizes the fact that at the beginning of the answer to the complaint appears the following:

> "Now comes the defendant, the Moore Filter Company, and without waiver of its objections that this Honorable Court has acquired and can lawfully exercise no jurisdiction over it, or over the subject matter of the action, which said objections and the several benefits thereof are specifically reserved to it, etc. * * *"

Evidently it is the opinion of the court that this reservation as to jurisdiction was not sufficient in itself to permit plaintiff in error to present the question of jurisdiction presented.

It further appears from the opinion of the court that the court had in mind the fact that if, prior to this reservation to object to jurisdiction, an objection to jurisdiction had in fact been made, the reasons given by this court for the affirming of the judgment would not be sufficient, for we find in the opinion the following:

> "A motion was made to quash the service of summons. The motion is not found in the record, but from a memorandum opinion of the court below it appears that the ground of the motion was that the person who was served with the summons was not an agent upon whom service was authorized to be had."

In other words, the court has in effect said that if a motion to quash service of summons had been

made, and if, included in that motion, there was the objection to jurisdiction here presented, that then this court must consider the same. Our answer is that the objection to jurisdiction now presented was made, that is to say: it was contended for by plaintiff in error, and it was set out in the moving papers that service of summons was not authorized by the provisions of section 411, C. C. P.

It is unfortunate that in the transcript of the record the moving papers on the motion to quash service of summons do not appear. That the moving papers were sufficient, however, to permit of the present objection to jurisdiction, and that they were so considered by the court of original jurisdiction and by counsel for defendant in error, is evidenced by that part of the record wherein we find the court itself at the time of trial raising the question of whether or no it had jurisdiction (Tr. of record, pp. 31 and 32). In other words, and by reason of what was said and done at the time of trial, and in connection with the question of the court's lack of jurisdiction, this court is not, we respectfully submit, justified in assuming that the motion to quash service of summons was not sufficient in every way to raise the questions here presented. In short, this court should not make inference as to the contents or grounds of the motion to quash service of summons by what was said in a memorandum opinion by the judge of the court below at the time that the motion to quash was denied. Strictly speaking, and following our

state practice, the memorandum opinion in connection with the motion to quash service of summons has no place in the record at all. It is not part of the judgment roll and is not contained in the bill of exceptions. If the opinion of the court below on the motion to quash service of summons,—a document in the record without authority of law,—is to affect the ruling of this court on questions of jurisdiction here presented, then we respectfully submit that the moving papers out of which this memorandum opinion grew should also be considered by this court, and if so considered, it would be apparent that the plaintiff in error did not waive, and has not waived, its right to object to the jurisdiction of the district court upon the ground herein presented.

With all respect to this court it seems incredible that, upon a record that shows a question of jurisdiction raised in the court below by the judge thereof himself, and later presented in said court under the direct permission of said judge, this court should say that the same has been waived.

There is not involved here the question of whether or no plaintiff in error has waived the right to object to jurisdiction by interposing a pleading which combines with the objection to jurisdiction matters that go to the merits of the cause of action itself, as was the case in Western Loan & Savings Bank v. Butte & Boston Cons. Mg. Co., 210 U. S. 368, and in the further case of Fry v. Denver & R. G. R. Co., 226 Fed. 893, for here the first ap-

pearance—that to quash service of process, was special, "defendant above named appearing specially for this notice and not otherwise", the next appearance being that by way of answer wherein the objection to the jurisdiction was specifically reserved.

With the facts before it as they are presented here, we, with much earnestness urge upon this court that the questions of law presented by plaintiff in error should be ruled upon by this court. If it is the view of this court, as it was in the court below, that by its counterclaim plaintiff in error has assented to jurisdiction, we accept the ruling of the court for its judgment on matters of law is bigger, broader and superior to that of counsel herein. To refuse relief to petitioner in error for the reason stated in the opinion herein, is, we respectfully submit, a denial to it of a right given by law. The signers of this petition did not represent plaintiff in error in the court below. They did not begin their services until a few days before the oral argument had in this court. We have been advised, and therefore state, that the transcript of record upon writ of error was prepared as directed by the court itself. Certainly neither court nor counsel anticipated the affirming of the judgment for the reasons given by this court.

ERRORS ASSIGNED TO THE ADMISSION OF TESTIMONY.

We make further trespass upon the time of the court for it is apparent that this court, due, doubt-

less, to the way in which the brief on the merits is written, has not appreciated the point plaintiff in error is endeavoring to make. To illustrate: Objection is made to the allowing of the question asked the witness Oliver: "What value in your judgment was the confession of judgment to the Moore Filter Company if the Moore Filter Company had made reasonable use of it in its negotiations and dealings with other mining companies that were infringers of its patent?" In the opinion rendered it is said, after the asking of the question above:

> "The court interposed by explaining to the witness that what counsel was asking him was whether from his knowledge of the business he would consider that a second adjudication of the validity of the patent, where the patent had given rise to litigation growing out of infringements, would be of value to one owning the patent and making future settlements with parties who had infringed the patent."

With all respect to this court we say that the question answered was not preceded by the above explanation on the part of the trial court. What the trial court is accredited with appears at the bottom of page 46 of the record. The question asked and objected to appears on page 47. The lower court in allowing the question said:

> "What is, in counsel's mind, is that: The value of the procuring of this decree was more or less potential—you might say in a sense intangible—but would depend upon the use which was made of the fact that such a decree had been presented; the question really put to the witness involved this inquiry, what in

> his judgment, having a knowledge of the business of the Moore Filter Company—in fact, having an interest in the business growing out of his contractual relations with that company,—what would have been the value to the Moore Filter Company of this decree if further availed of by them for the purposes for which it was available."

Said witness Oliver did not qualify as a patent lawyer, and could not have so done. When the court permitted the answering of the question:

> "Would you consider that the procuring and entry of that judgment against the Golden Cycle Mining Company * * * would be of value to the Moore Filter Company in making settlements with various other infringers of the process of the Moore Filter Company in various parts of America and elsewhere?"

the court was going to the utmost limits; in fact, in our judgment this question itself should not have been answered by this witness. Stop for a minute and think of what knowledge the witness must have had to answer the question intelligently. He probably had no idea of the extent or character of the filters used by the Golden Cycle Mining Company. Whether upon other infringers "in various parts of America and elsewhere" the settlement by the Golden Cycle Company would be an indication of weakness or strength on the part of the Moore Company and the character and extent of their patents, was a question which, we submit, could not be answered by any individual. The question is broad enough to include the entire

world. Doubtless there were many infringers of the Moore process that never had heard and never will hear of the confession judgment obtained against the Golden Cycle Company. To permit this witness to say before the jury: "Yes, I believe it would be of very vital importance for this reason: that every one who has had experience in patent matters knows that an adjudication in one circuit means nothing more than the right to go and fight it out in some other circuit, because it is never final, whereas, if you get it in two circuits, the *chances* are very much better for a complete settlement of the case" could not but have improperly affected the jury. In other words, this witness, without knowledge, for no man could have knowledge of what is in the minds of those in "various parts of America and elsewhere", was permitted to impress upon the jury the fact that a very valuable act had been performed for plaintiff in error.

As above stated, we believe the court below went too far in permitting the answering of the question above. Note how the court—and we say it with all respect, was led on. After that question, which in essence is that the witness considered the obtaining of the judgment of great value, he is asked:

> "What value in your judgment was the confession judgment," etc.

With all respect to the judge of the court below, as to whom no one has a higher opinion as a man

and as a lawyer than the signers of this petition, we find that the question asked is permitted to be answered upon the theory, and upon the premise, that while "the procuring of this decree was more or less potential—you might say in a sense intangible", still the Moore Filter Company, if it availed of the same "for the purposes for which it was available", would receive value. The witness in answering the question was called upon to determine not only how far the decree was available, that is, its effect upon the users of mining filters in various parts of America and elsewhere, but also how far the Moore Filter Company could, would and should go in availing itself of the same.

This court has said:

> "We are not convinced that the objection should have been sustained or that it was reversible error to admit the testimony of a witness who to some extent was an expert and qualified to testify as to the timeliness of the services rendered by the defendant in error and the circumstance under which they were rendered."

We respectfully submit that the question asked of the witness did not touch upon the question of the timeliness of the service rendered, or the circumstances under which it was rendered. The question asked of the witness called forth his opinion as to the value of these services, the very question which the jury were called upon to decide, viz., the question of value. The authorities collected in the brief of plaintiff in error on the

merits illustrate that on this question of value, where the same is part of what the jury must determine, testimony is inadmissible, for it is taking away from the jury the very question that by law they must decide. While it is true that the question is unanswerable in itself, a correct answer being based upon facts beyond the ken of any one individual, the real vice of the question is as we have above stated,—that it takes from the jury the very facts that they are to determine, and so it matters not whether or no the witness "who to some extent was an expert", was qualified to testify or not. All the qualification in the world, and all knowledge in the world could not as a matter of law make the question proper.

Dated, San Francisco,
March 5, 1917.

Respectfully submitted,

J. R. Pringle,
C. A. Shuey,
Attorneys for Plaintiff in Error and Petitioner.

CERTIFICATE OF COUNSEL.

I hereby certify that I am of counsel for plaintiff in error and petitioner in the above entitled cause and that in my judgment the foregoing petition for a rehearing is well founded in point of law as well as in fact and that said petition is not interposed for delay.

J. R. PRINGLE,
Of Counsel for Plaintiff in Error and Petitioner.

APPENDIX.

In the United States Circuit Court of Appeals for the Ninth Circuit

No. 2843

Moore Filter Company (a corporation),
Plaintiff in Error,

vs.

J. L. Taugher,
Defendant in Error.

J. R. Pringle and Clarence A. Shuey, for the Plaintiff in Error.

John L. Taugher, Defendant in Error.

Before Gilbert, Morrow and Hunt, Circuit Judges.

Gilbert, Circuit Judge:

The defendant in error, a citizen of California, brought an action to recover the value of personal services alleged to have been rendered to the plaintiff in error, a corporation of the State of Maine. Service of the summons was had upon an agent of the plaintiff in error residing in San Francisco. From the allegations of the complaint, it was inferable that all the services therein mentioned were rendered elsewhere than in the State of California. A motion was made to quash the service of the summons. The motion is not found in the record,

but from a memorandum opinion of the court below, it appears that the ground of the motion was that the person who was served with the summons was not an agent upon whom service was authorized to be had. At the beginning of the answer to the complaint is the following: "Now comes the defendant, the Moore Filter Company, and without waiver of its objections that this Honorable Court has acquired and can lawfully exercise no jurisdiction over it or over the subject matter of this action, which said objections and the several benefits thereof, are specifically reserved to it, and also specifically reserving all of its rights under motion to quash service of summons in this action heretofore made by it and denied by this court, said defendant makes answer and says:" Then followed denials of certain of the allegations of the complaint, and in conclusion the plaintiff in error set up a counter claim for $7,500.00, which it was alleged arose out of the same transactions that were set forth in the complaint. There was no allegation in the answer that the services for which the defendant in error sought to recover were rendered without the State of California, or upon contracts made elsewhere than in that state, and nowhere in the pleadings did the plaintiff in error present such an objection to the jurisdiction. Upon the conclusion of the opening statement for the plaintiff in the action, the court on its own motion suggested its doubt of the jurisdiction, on the ground that the subject matter of the action grew out of a transaction which did not have

its origin in the state or in the district, and no part of which was performed in the state or district, but after argument of counsel, the court concluded, in view of the nature of the pleadings and the interposition of the counter claim, that the court had acquired jurisdiction, and so ruled. To that ruling the plaintiff in error reserved an exception, and again, at the conclusion of the plaintiff's case, moved to dismiss the action on the ground that the court could lawfully exercise no jurisdiction over the defendant in the action or the subject matter thereof.

The plaintiff in error now presents to this court the question of the jurisdiction, and it contends that it did not waive the question by pleading a counter claim, for the reason that under the statute of California and the decisions of the courts of that state, it was compelled to plead the counter claim or lose the right to assert the same in any subsequent action. We need not pause to consider whether a counter claim thus pleaded under compulsion would take the case out of the rule of Merchants Heat & L. Co. vs. Clow & Sons, 204 U. S. 286, in which case the defendant elected to sue upon a counter claim, although under the law of Illinois which controlled the question, there was no obligation to plead a cross demand, and whether he should do so or not was left to his choice, for, in our opinion, the plaintiff in error here waived all right to object to the jurisdiction on the ground now urged, by answering upon the merits and setting up the counter

claim and going to trial upon both without having presented by demurrer or answer that question of the jurisdiction to the court below.

Error is assigned to the admission of a portion of the testimony given by one Oliver, a mining engineer engaged in manufacturing and selling filters for cyanide processes used for the same purpose as the Moore filter, who had testified that in the year 1913 he had a general idea of the patent situation in the United States relating to filters in use in mining operations similar to the Moore process, and was familiar with the claims made by the Moore Filter Company under its patent filter process, and was familiar with the litigation between that company and the Tonopah Belmont Mining Company, and had studied the matter very thoroughly, because he was having trouble with the Moore Filter Company, which claimed that he was infringing their patents, that he had obtained patents for filter apparatus and had given a great deal of consideration to the filter situation, both in the United States and abroad, and that he knew of the settlement the plaintiff in error made with the Golden Cycle Mining Company, by which the latter confessed judgment for $50,000.00, which was announced in the technical journals. He was asked: "What value, in your judgment, was the confession of judgment to the Moore Filter Company if the Moore Filter Company had made reasonable use of it in its negotiations and dealings with other mining companies that were infringers of its

patents?" Objection was interposed on the ground that the witness was not competent to pass on the value of a judgment of confession, and on the further ground that the testimony was incompetent. The court interposed by explaining to the witness that what counsel was asking him was whether from his knowledge of the business he would consider that a second adjudication of the validity of the patent, where the patent had given rise to litigation growing out of the infringements, would be of value to one owning the patent and making future settlements with parties who had infringed the patent. The answer of the witness was: "It is a difficult matter to put in dollars and cents. It came at a psychological moment. The Moore Filter Company had won its suit against the Tonopah Belmont in another circuit; and this was the first settlement that was made, the first large settlement they had gotten from infringers. The Tonopah Belmont case was still in the courts awaiting a judgment—waiting for the accounting. They had won the case." We are not convinced that the objection should have been sustained, or that it was reversible error to admit this testimony of a witness who, to some extent, was an expert and was qualified to testify as to the timeliness of the services rendered by the defendant in error, and the circumstances under which they were rendered. That was the sum and substance of his answer to the question, and in the light of the meager portion of the evidence which the record contains, it does

not appear that such testimony was beyond the scope of legitimate inquiry.

We find no error. The judgment is affirmed.

(Endorsed): Opinion. Filed Feb. 5, 1917.
F. D. MONCKTON, Clerk.